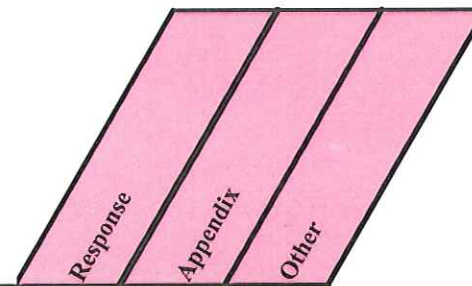


## FY2012 City Council Requests for Additional Information



Tab	Topical Index	Questions	Response	Appendix	Other
A	Retirement/Pension	7	X	X	
B	Healthcare	2		X	
C	Other Benefits	4	X	X	
D	Outsourcing Opportunities	3	X	X	
E	Customer Service Realignment	2	X	X	
F	Supplement to Budgets	4			
	1) Furloughs		X	X	
	2) Personnel Reductions		X	X	
	3) Scheduling				
	4) Reductions/Cost Savings				
	5) Positions				
	(a) New Created Positions		X	X	
	(b) Vacant Positions			X	
	(c) Merged/Converted positions (from vacant/temporary)		X	X	
	(d) Authorized Positions (Authorized Complement)			X	
	(e) New positions, Employees, and Titles Over the Last 2 Years			X	
	(f) Full List of Contract Employees (and fees and/or salaries)			X	
	(g) Any Other Information Regarding Newly Employed/Created Personnel Positions			X	

R = Response  
A = Appendix  
O = Other

Councilman Boyd

1. Complete budget presentation materials at least 3 days in advance of each scheduled division appearance in order for members to properly prepare for each hearing.

*Finance will provide all presentations for City Divisions Thursday April 21<sup>st</sup>. Presentations for external agencies will be provided at least 3 days prior to their presentation.*

2. A line-item budget format that includes their requests for FY'12, a column for nine month (or whatever timing will allow) year to date expenditures for FY'11, the previous three fiscal year's actual expenditures, with the five columns side by side on a spreadsheet with numbers that are large enough to be legible.

*Supplemental I – Five Year Trending provided to each Council member.*

3. Provide the current number of employees for each division. Please include a column for approved/budgeted and a second for currently hired/on board.

*Authorized Complement Schedule provided by Human Resources as of 3-22-11. Appendix 1 Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

*Vacant Position Schedule provided by Human Resources as of 3-22-11. Appendix 2 Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

## Councilman Morrison

1. What savings can be achieved if employees that have been here 7 years or longer had their retirement contribution raised by 5%?

*Increasing the current retirement contribution for employees with 7 years or more tenure will increase the employee contribution by approximately \$998,000 but there are \$0.00 savings for the City of Memphis. Per the current Pension Ordinance the City contribution is not impacted by any increase or decrease paid to the Pension Fund by current employees.*

<u>Division</u>	<u>Organization</u>	<u>Title</u>	<u>Pension Date</u>	<u>Salary</u>	<u>Current Contribution</u>	<u>5% Increase</u>	<u>Tentative Contribution After 5% Increase</u>
Citywide	All	Various	Various	Various	\$19,962,335	\$998,117	\$20,960,452

*\*Average Salary for calculation = \$40,000 Annually*

*\*5% Increase Calculation detail = Current Pension Fund Contribution + 5% Increase = Tentative Contribution after increase*

2. What savings can be achieved if employees that have been here 6 years or less are changed to social security withholdings rather than pension?

*Based on the current population of Active Employees sorted by Pension date, changing employees with 6 years or less of employment will cost the City of Memphis an additional \$218,000. Per the current Pension Ordinance the City of Memphis contributes 6% for Active Employees to the Pension Fund. Transitioning this population from the Pension Fund to Social Security will actually cost the City of Memphis as the federally required Employer Contribution is 6.2%. The Social Security Contribution calculation of 6.2% was verified by [www.socialsecurity.gov](http://www.socialsecurity.gov).*

<u>Organization</u>	<u>Title</u>	<u>Pension Date</u>	<u>Salary</u>	<u>Current Contribution 8% Pension Fund</u>	<u>4.2% Social Security Withholdings</u>	<u>Employee Impact</u>	<u>Cost to City - SS (6.2%)</u>	<u>Cost to City Pension Fund (6.0%)</u>	<u>Net Impact to City of Memphis Social Security</u>
Citywide	All	Various	Various	\$8,739,200	\$4,588,080	(\$4,151,120)	\$6,772,880	\$6,554,400	\$218,480

*\*Average Salary for calculation = \$40,000 Annually*

*\*City Contribution Increase Calculation detail = Current Pension Fund Contribution + 0.2% Increase = Net Impact to City of Memphis Social Security*

*\*Employee Social Security Impact = Current Pension Fund Contribution – 3.8% = Employee Impact (Social Security withholdings are 3.8% lower than the current pension fund contribution of 8%)*



3. What savings can be achieved by going to 4 day work weeks – except police and fire? Some employees would work Monday-Thursday while others would work Tuesday-Friday or some variation that worked for a particular division.

*The overall operational impact to the City of Memphis and the citizens we serve would equal approximately a 20% reduction.*

Salary Matrix		
Current Furlough	12 Days per Year =	4.62%
Additional Furlough Options	4 Days per month =	20%
Salary Matrix of 20% Operational Reduction		
Full Time Salaries (FY2011 Adopted Budget)	\$320,059,154	
Police Services	(\$144,887,608)	
Fire Services	(\$104,156,466)	
Adjusted Full Time Salaries	\$71,015,080	
<b>Operational Reduction of 20%</b>	<b>\$14,203,016</b>	
<b>Equivalent Impact on Personnel</b>	<b>355</b>	

*\*Average Salary for calculation = \$40,000 Annually*

Councilman Conrad

1. What has the impact of paying the living and prevailing wage been on the capital and operating budget?

*In April 2009, the City of Memphis completed an overview and analysis of the Living Wage Ordinance and its impact on city operations. At that time it was determined that although there were several instances in which contractors opted out of contract renewals or increased renewal costs above inflation or entered new contractor bids were higher than the previous awards, we do not have any empirical data to quantify the cost or financial impact of the Living and prevailing wage.*

***\*See Appendix 3 for graphic depiction of the Living Wage Ordinance impact on two service contracts.** Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

*Divisional Impact - Park Services*

*The living wage has had a significant impact on Park Services personnel costs. The temporary salaries budget for FY2011 is \$3,963,482. This is equivalent to 317,078 hours at \$12.50 per hour. Considering the \$5.50 increase per hour to meet the required living wage and including Social Security and Medicare, the impact is \$1,877,343.*

2. What is the estimated annual savings if the remaining solid waste garbage pick-up is outsourced?

*The Division of Public Works has reviewed the current outsourcing contract with All-Star Waste and presented a preliminary report with regards to outsourcing the remaining homes in the City of Memphis. The savings of \$17.2 million are in reference to outsourcing approximately 141,543 homes.*

***\*See Appendix 4 for Budgetary Analysis.** Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

3. What other outsourcing opportunities of current city services is the administration considering? What is the projected saving? For example, grass cutting in city parks and rights of way.

*Outsourcing Options Currently Under Review*

Outsourcing Opportunities and Options			
Organization	Area of Discussion	Status	Savings/Efficiencies
Golf	Outsourcing Management	Administration Completed	\$0.00 Savings
Fleet	Outsourcing Management	Pending	TBD
Impound Lot	Outsourcing Management	Pending	TBD

*Service Impact -Parks Services*

*Based on the contracts used for comparison in recent months, and considering vendors would have to pay the living wage to their employees, outsourcing of the grounds maintenance for the Park Services Division would not be cost effective.*

*Park Operations current budget for grounds maintenance = \$4,077,378*

*Estimated cost for outsourcing: \$1,053 per acre\* x 3,137 = \$3,302,634 (parks)*

*\$3,943 per mile\* x 210 = \$ 827,904 (medians)*

***\$4,130,538 total***

\*The contracts these estimates are based on have a cut cycle of 14 days. To allow for a longer cut cycle more comparable to Park Operations current cycle, the total cost has been adjusted by 20%.

*Considering that Park Operations would have to retain employees for contract oversight as well as for performance of other significant duties, there would be no cost savings.*

4. Pension:

- a. Examine with actuarial studies available options including but not limited to changes in the defined benefit plan for employees with less than 10 years and less than 5 years of service, defined contribution plans for new employees, Social Security, or any combination of plans as well as application of possible changes to only new or to all employees.

*The Administration has been considering, as a part of the overall analysis of the pension plan, a number of options in addition to changes within the existing plan. First, the City is not legally allowed to make changes to future benefits for employees with ten or more years of service. In addition, changes were not considered for benefits already accrued for employees with less than ten years of service. The Administration has considered defined contribution plans as an alternative to the current defined benefit plan and participating in Social Security. Based on comparisons of the cost and value of benefits provided by the alternatives (defined contribution and Social Security), the Administration has concluded the current plan, with modifications, provides a more appropriate reward program for City employees, both current and future.*



- b. Consider tying the Cost of Living Increase to the amount received by Social Security recipients. How much would the city have saved each of the last 2 years when Social Security was flat and the city gave COLA increases?

*The Administration has examined alternatives to the historically-provided COLA increases. Last year, the COLA increases granted to retirees were half of what had been provided in prior years. The present value of the COLA increases granted in 2009 was \$25.9 million. The present value of the COLA increases granted in 2010 was \$13.2 million. These present values increased the actuarial accrued liability. According to the funding method used to determine the "Annual Required Contribution" (the City contributes 6% of payroll by ordinance, the Annual Required Contribution is only used for financial reporting purposes), the increase in the liability resulted in additions to the Annual Required Contribution of approximately \$2 million and \$1 million for 2009 and 2010, respectively. Note that the effects on the Annual Required Contribution of the COLA increases are cumulative.*

COLA REVIEW		
Fiscal Year	City of Memphis	Social Security
FY2011	\$1,042,000	\$0
FY2012	\$740,000	TBD
Total	\$1,782,000	\$0

- c. Allow an insurance company to handle line-of-duty injury retirement decisions rather than the City of Memphis Pension Board. Please detail how many City of Memphis employees received line-of-duty injury retirement compared to Shelby County.

*The City of Memphis has a total of 483 Line of Duty Retirees currently. We believe that there could be some savings to the city if changes were made to how this program is administered, up to and including changing the qualification guidelines and outsourcing this program. Beginning in Fiscal Year 2006, Shelby County outsourced their Long Term Disability processing to an Outsource Vendor. The line of duty retiree population that is currently managed by Shelby County is 16 and these applications were reviewed and approved by the Shelby County Pension Board prior to FY2006. Any line of duty retirees approved by Unum, Standard, or Cigna will not transfer to the Shelby County Pension system until age 65. Due to privacy laws and outsourcing Shelby County Retirement is not able to provide the current population managed by the outside vendors. Information provided by Shelby County Retirement Department on April 18, 2011. This population is segmented by the following categories with the corresponding number of employees respectively.*

<b>City of Memphis Line of Duty Retirees</b>	
<b>Population</b>	<b>Retiree Service Center</b>
261	502400-City Pension/Fire & Police-Line of Duty Disability Total
164	503400-City Pension/Fire & Police-State Law Line of Duty Total
52	501400-City Pension/General-Line of Duty Disability/Death Total
4	581400-Airport Pension/General-Line of Duty Disability/Death Total
1	521400-City&County Pension/Gen-Line of Duty Disability/Death Total
1	583400-Airport Pension/Fire & Police-State Law Line of Duty Total
<b>483</b>	<b>Grand Total</b>

- d. Please provide an actuarial report on savings if retirement for regular employees is Social Security age and retirement for uniformed police and fire is 25 years of service but not before age 55.

*Our actuaries, PwC, estimated the effect of requiring police and fire to wait until age 55 to begin receiving their benefits and of requiring general employees to wait until Social Security retirement age (generally 67) to begin receiving their benefits. If all active participants were subject to this change, the reduction in the "Annual Required Contribution" would be approximately 25%. However, as noted above, the City is not allowed to make changes for employees with ten or more years of service. Applying the change only to employees with less than ten years of service would result in a reduction of the "Annual Required Contribution" of approximately 6%. Over time, the reduction in the "Annual Required Contribution" would become greater (as more individuals would be subject to the new requirements).*

#### 5. Health Care:

- a. Increase health care premium charges to retirees to mirror those of Shelby County. Tier the premium structure to charge retirees according to their years of service. A retiree could pay anywhere from 30% to 100% of the retiree premium, i.e. employees with 20 years of service or more pay 30% of premium cost, employees with less than 7.5 years pay 100% of premium cost.

*Mandatory enrollment in Medicare Parts A and B would be effective January 1, 2012. The first date at which employees could retire under the service based contribution schedules would be January 1, 2014. The Administration has requested a Financial Analysis from Mercer. Their report will be available for review during the Budget Hearing process.*

*\*See Appendix 5 for a Table Analysis. Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*



- b. Require retirees 65 and older to enroll in Medicare Part B. Study new and employees with less than 10 years and less than 5 years of service going on Medicare if they retire at Social Security age. If they retire early, they will have their pensions reduced per Social Security and health care payments increased as per the Shelby County formula.

*Employees hired after 1986 will be required to participate in Medicare upon Retirement beginning in 2014. The administration is employing a Medicare Buyback Strategy that would make it possible for all current employees hired before April 1986 to qualify for Medicare upon their retirement.*

6. Paid Time Off: Paid Time Off will encompass all paid leave, be capped at 35 to 40 days a year and PTO will be "use it or lose it" – unused days will not carry over into a new year.

<u>Division</u>	<u>Organization</u>	<u>Years of Service</u>	<u>Vacation</u>	<u>Sick</u>	<u>Bonus</u>	<u>Holiday</u>	<u>Total</u>	<u>Salary</u>	<u>Potential Leave Payout</u>	<u>Anticipated Cost Savings</u>
Citywide	All	Various	Various	Various	Various	Various	35	Various	\$49,515,611	\$12,439,774
Citywide	All	Various	Various	Various	Various	Various	40	Various	\$56,589,270	\$5,366,115
Citywide	All	Various	Various	Various	Various	Various	55	Various	\$61,955,385	\$0

*\*55 Total Days = Average of Current Population with Paid Leave Eligibility*



## Councilman Flinn

1. What is the required pension contribution by the city, by the employee and how can this be modified?

*The current contribution to the pension fund is 6% by the City and the employee contribution is currently 8%. The pension ordinance is the controlling authority for contributions to the pension fund therefore modifications are executed by changing the pension ordinances which govern the 1948 Retirement Plan and the 1978 Retirement plan. The Plans' funding policy provided for actuarially determined periodic contribution at rates of 5 percent per annum for general city employees and up to 7 percent for police and fire employees. The City is required to contribute the remaining amounts necessary to fund the Plans, using the actuarial basis specified by statute. The City is also required to appropriate funds for the trust fund as necessary to pay all costs and expenses of the Plans. Information can be verified via the 2010 Comprehensive Annual Financial Report currently online under the Finance Division website.*

2. How can the city switch from a pension plan to Social Security for employees and would this apply to only new employees? Can current employees voluntarily opt in or be involuntarily transferred to Social Security going forward?

*At this time the Administration is not proposing any transitions to a defined contribution plan such as Social Security but we have proposed various revisions to the current Retirement Policy. The proposed changes would affect new employees and current employees with fewer than 10 years of service. The Administration has proposed setting a minimum age to receive retirement benefits, reducing benefits for employees who take early retirement and using a salary average to determine pension benefits. The Administration has also reached out to other municipalities such as the City of Atlanta that are facing the same challenges Memphis is facing with regards to Pension Plans or transitions to a defined contribution plan such as Social Security.*

3. Can the administration provide a matrix of scenarios and the potential cost savings for pension plan/Social Security changes, employee layoffs, pay cuts and furloughs?

Division	Total AC	Phase I Layoffs	Phase II Layoffs	Total Layoffs	Total Layoffs	Phase I Vacancies	Phase II Vacancies	Phase III Vacancies	Total Vacancies	Total Vacancies
Executive	49	0	3	3	\$133,551	0	2	0	2	\$100,000
Finance	86	0	8	8	\$400,000	4	1	2	7	\$350,000
Fire Services	143	0	0	0	\$0	0	6	11	17	\$850,000
Police Services	415	0	37	37	\$1,850,000	25	23	0	48	\$2,400,000
Park Services	255	0	26	26	\$1,300,000	24	0	19	43	\$2,150,000
Public Works	140	0	11	11	\$550,000	11	0	1	12	\$600,000
Human Resources	51	0	5	5	\$250,000	4	0	0	4	\$200,000
Public Services	368	0	0	0	\$0	4	14	22	40	\$2,000,000
General Services	165	0	14	14	\$700,000	14	0	7	21	\$1,050,000
HCD	5	0	0	0	\$0	0	0	0	0	\$0
Community Enhancement	121	0	6	6	\$300,000	0	0	11	11	\$550,000
City Attorney	68	0	6	6	\$300,000	0	0	4	4	\$200,000
Engineering	140	15	0	15	\$750,000	0	0	6	6	\$300,000
Information Services	18	3	1	4	\$199,060	0	0	3	3	\$150,000
City Court Clerk	65	0	6	6	\$300,000	6	0	5	11	\$550,000
	2089	18	123	141	\$7,032,611	92	46	91	229	\$11,450,000
Total AC Before any Reductions 2089										
Divisional Right Sizing	Phase I	18				\$900,000	Targeted Reductions			
	Phase II	114				\$5,693,646	Post Targeted Reductions			
Vacant Position Reductions	Phase I	92				\$4,600,000	Targeted Reductions			
	Phase II	46				\$2,300,000	Post Targeted Reductions			
	Phase III	91				\$4,550,000	Administration Mandated			
Total Personnel Reduction			370			\$18,043,646				



Councilwoman Fullilove

1. What would the cost savings with MPD if the department went back to having Inspectors rather than Lieutenant Colonels and Colonels over precincts.

*Lieutenant (Lt.) Colonels and the former rank of Inspector are the same pay, thus the impact on the Operating Budget was \$0. Eliminating Colonels will cost the City accountability. The operational savings would be less than \$120,000. This would also stop movement within the ranks. Since you cannot revert back to a civil service position once transitioned into an appointed position, the City would in effect have to terminate all 12 Colonels. The City would also have to rely on a written test that could cost up to \$500,000 or more. If the Lt. Colonel is not functioning well in his or her position, then we would just shuffle the deck. No matter how much we document, it seems the civil service board and arbitrators are pro civil service employees. As in the past, if you complained about an Inspector we can only move them. Departments are modeling themselves after the City of Memphis because we are so successful. We are successful because of accountability. These Colonels play a huge role in protecting your neighborhoods and our citizens and are held to higher standards of accountability. To lose these positions in addition to previous budgetary and operational reductions could impact the citizens of Memphis in the near future. The city could consider eliminating the Colonel position through attrition.*

2. What savings would occur if Libraries and some Community Centers would open later and close earlier?

*On average, the annual savings for an hour of operation at most community centers is \$3,900. For all 24 centers, reducing operations by 1 hour per day would save \$130,000 annually.*

*The impact of reducing operational hours at the Libraries as proposed in the FY2012 Budget Request is approximately 19%. A detailed report of the branch level impact can be found Appendix 6. Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

## Councilwoman Halbert

## 1. Requested a detailed account of the following::

## a. New Created Positions

*Refer to the three-year (2009-2011) AC and FTE lines in the budget. What you will find is that divisions have not exceeded their approved complements. If you would also look at the salary lines for those same three years, you will find that the salary lines have been maintained at consistent levels. While divisions have restructured to achieve the most efficient utilization of their limited resources, the end result is that there have been few net new job titles as is evidenced in the graph below. Instead, all divisions have been challenged to manage their organizational structures to provide the highest levels of service. In most cases, this has resulted in reclassifying and/or modifying some position titles to reflect an increase or decrease in job responsibilities. There have been a few instances in which divisions have "repurposed" funded positions to focus on new priorities i.e. the Bike Pedestrian Coordinator position. These type changes are normal in organizations that are now charged to do more with less.*

<u>Service Center</u>	<u>Current Position</u>	<u>Previous Position</u>	<u>Effective Date</u>
100601-Citizen's Service Center	Super.Citizen Svc Ctr...100601.00001	Admr.Citizen Svc Ctr...100601.00001	1/7/2008
100101-EXEC Mayor's Office	Special Asst.Research_Innov...100101.00001	Coord.Administrative...100101.00001	10/27/2009
250105-Traffic Engineering	Coord.Bikeway_Pedestrian...250105.00001	Clerk.General.A..250104.00001	1/1/2010
100101-EXEC Mayor's Office	Spec.City Brand_Marketing...100101.00001	Coord.Executive...100101.00001	12/1/2010
180501-Labor Relations	Coord.Labor Rel Compliance_ADA...180501.00001	Spec.Compliance Labor Rel...180501.00001	12/1/2010

*\*Example of Title Revisions*

## b. Vacant Positions



*\*See Appendix 2 for Analysis. Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

c. Merged/Converted positions (from vacant/temporary)

*This information is not available as the Administration does not convert positions as a continuous HR practice.*

d. Authorized but Unfilled Positions

*\*See Appendix 1 for Authorized Complement by Division. Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

*\*See Appendix 2 for Vacant Positions by Division. Original appendices presented to City Council Members via hard copy. The Administration will provide copies of these schedules upon written request.*

e. New Positions, Employees, and Titles over the last 2 years

*Refer to the three-year (2009-2011) AC and FTE lines in the budget. What you will find is that divisions have not exceeded their approved complements. If you would also look at the salary lines for those same three years, you will find that the salary lines have been maintained at consistent levels. While divisions have restructured to achieve the most efficient utilization of their limited resources, the end result is that there have been few net new job titles as is evidenced in the graph below. Instead, all divisions have been challenged to manage their organizational structures to provide the highest levels of service. In most cases, this has resulted in reclassifying and/or modifying some position titles to reflect an increase or decrease in job responsibilities. There have been a few instances in which divisions have "repurposed" funded positions to focus on new priorities i.e. the Bike Pedestrian Coordinator position. These type changes are normal in organizations that are now charged to do more with less.*

f. Full List of Contract Employees (and fees and/or salaries)

*The city does not have Contract Employees. All contracts are governed by Purchasing and only the Company contracted to do business with the City is tracked. If the Contracted Vendor acquires former City of Memphis personnel as a sub-contractor that information is not documented to or with the City of Memphis.*

- g. Any Other Information Regarding Newly Employed/Created Personnel Positions